STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 11, 2011

To: The Commission
(Meeting of April 14, 2011)

From: Edward Randolph, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 512 (Gordon) – Local governmental renewable energy self-generation.**
As introduced: February 15, 2011

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT

SUMMARY OF BILL:

This bill modifies Public Utilities Code (PU Code) Section 2830 to expand the maximum size for renewable generating systems eligible for the Renewable Energy Self-Generation Bill Credit Transfer Program (RES-BCT) Program from 1 megawatt (MW) to 5 MW.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

The RES-BCT program offers bill credits at the generation-only rate for renewable projects up to 1 MW. To date, there has been no participation in the program in any of three electric investor-owned utility territories (PG&E, SCE, and SDG&E). Increasing the eligible system-size cap to 5 MW may help create more interest from larger renewable projects that are precluded from receiving California Solar Initiative (CSI) Program or Self-Generation Incentive Program (SGIP) incentives, but where the economics of a single larger system might make the overall project economics more attractive for government entities with significant electric loads. Additionally, because the current statute already provides that amount of the bill credit be set at the generation rate and not the retail rate, the program does not result in any direct cost shift from other ratepayers to the customers receiving the bill credit.

SUMMARY OF SUGGESTED AMENDMENTS:

We recommend that the program should be expanded so that all customer could be eligible to participate in the program and not just local governments and college campuses.

DIVISION ANALYSIS (Energy Division):

The RES-BCT program was developed in accordance with PU Code 2830, which requires the large electric investor-owned utilities to establish a tariff schedule that allows all “local governments” in California to generate eligible renewable energy at the location for one account and provide a bill credit to a "Benefiting Account" so long as both facilities are owned or operated by the same local government.

The bill credits are calculated by multiplying the Generating Account's time-of-use (TOU) energy component of the generation electricity rate by the amount of energy exported to the grid during the corresponding time period. These bill credits can then be applied to offset generation costs at the customer's other retail service accounts at different facilities. This differs from the Net Energy Metering (NEM) tariffs, used in conjunction with the CSI Program and SGIP, which provide compensation for onsite electricity generation at the full retail rate for renewable projects up to 1 MW.

Both the CSI Program and SGIP, which provide economic incentives for onsite energy systems intended to meet the customer’s own load, allow onsite generation projects up to 5 MW. However, the CSI Program allows the customer generator to receive incentives for the first 1 MW of the solar energy system and SGIP only provides incentives for the first 3 MWs of the installed system.

In July 2010, the California Public Utilities Commission (CPUC) issued a staff proposal that included recommendations on the RES-BCT Program.[1] The CPUC recommended that the CSI Program provide rebates up to total load at the host site, but customers on the RES-BCT tariffs should be allowed to size their systems above rebated capacity. No CPUC action has yet been taken on this proposal. In their comments on the CSI staff proposal, several parties stated that the RES-BCT Program in its current form is not appealing to customers because the economics of the RES-BCT tariffs are not favorable at the generation rate.

Currently, there is no participation in the RES-BCT Program in any of the three utility territories. If the CPUC adopts the recommendations in the staff proposal, thereby allowing customers to receive both CSI rebates and RES-BCT bill credits at the generation rate, the economics may be more favorable for customers. An increase in the size cap in the RES-BCT Program to 5 MW, as proposed in this bill, provides additional flexibility for customers and may be appealing for larger renewable on-site generation projects that are precluded from receiving (the higher-valued) NEM for

[1] Staff Proposal for Program Modifications to the California Solar Initiative (CSI) Program, p. 17 (available here: http://docs.cpuc.ca.gov/efile/RULINGS/121093.pdf).

projects over 1 MW. Because the 1 MW size cap was determined by statute, it can only be modified via legislation.

If increasing the size cap promotes participation in the RES-BCT Program, then it supports the CPUC's goals to stimulate the adoption of new distributed generation in California.

This bill will require only a minor revision to the RES-BCT tariffs and therefore will have no significant impact on the number of CPUC staff needed to oversee the RES-BCT Program.

PROGRAM BACKGROUND:

Resolution E-4283, which approved the tariffs for the RES-BCT Program, was adopted by the CPUC in April 2010. Eligibility is limited to projects up to 1 MW in size, as established per PU Code 2830.

PU Code Section 2830(a)(1) defines "benefiting account" as "an electricity account, or more than one account, located within the geographical boundaries of a local government or, for a campus, within the geographical boundary of the city, county, or city and county in which the campus is located, that is mutually agreed upon by the local government and an electrical corporation."

PU Code Section 2830(a)(6) defines "local government" as "city, county, whether general law or chartered, city and county, special district, school district, political subdivision, or other local public agency, but shall not mean a joint powers authority, the state of any agency or department of the state, other than an individual campus of the University of California or the California State University."

PU Code Section 2830 limits the program to 250 MW in all three utility territories.

LEGISLATIVE HISTORY:

The RES-BCT Program was created in accordance with Assembly Bill (AB) 2466 (2008, Laird). AB 2466 was signed into law in by Governor Schwarzenegger in September 2008, and was later codified into PU Code Section 2830.

FISCAL IMPACT:

None.

STATUS:

AB 512 is awaiting hearing in the Assembly Appropriations Committee.

SUPPORT/OPPOSITION:

Support: City of Santa Rosa
Sonoma County Board of Supervisors

Opposition: None on file.

STAFF CONTACTS:

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BILL LANGUAGE:

BILL NUMBER: AB 512 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Gordon

FEBRUARY 15, 2011

An act to amend Section 2830 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 512, as introduced, Gordon. Local government renewable energy self-generation program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law authorizes a local government, as defined, to receive a bill credit, as defined, to be applied to a designated benefiting account for electricity exported to the electrical grid by an eligible renewable generating facility, as defined, and requires the commission to adopt a rate tariff for the benefiting account. An eligible renewable generating facility for the purposes of these provisions is limited to a facility that has a generating capacity of no more than one megawatt.

This bill would expand the definition of an eligible renewable generating facility for the purposes of these provisions to include a facility that has a generating capacity of no more than 5 megawatts.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 2830 of the Public Utilities Code is amended to read:

2830. (a) As used in this section, the following terms have the following meanings:

(1) "Benefiting account" means an electricity account, or more than one account, located within the geographical boundaries of a local government or, for a campus, within the geographical boundary of the city, county, or city and county in which the campus is located, that is mutually agreed upon by the local government or campus and an electrical corporation.

(2) "Bill credit" means an amount of money credited to a benefiting account that is calculated based upon the time-of-use electricity generation component of the electricity usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible renewable generating facility that are exported to the grid during the corresponding time period. Electricity is exported to the grid if it is generated by an eligible

renewable generating facility, is not utilized onsite by the local government, and the electricity flows through the meter site and on to the electrical corporation's distribution or transmission infrastructure.

(3) "Campus" means an individual community college campus, individual California State University campus, or individual University of California campus.

(4) "Eligible renewable generating facility" means a generation facility that meets all of the following requirements:

(A) Has a generating capacity of no more than ~~one megawatt~~ *five megawatts* .

(B) Is an eligible renewable energy resource, as defined in Article 16 (commencing with Section 399.11) of Part 1.

(C) Is located within the geographical boundary of the local government or, for a campus, within the geographical boundary of the city or city and county, if the campus is located in an incorporated area, or county, if the campus is located in an unincorporated area.

(D) Is owned by, operated by, or on property under the control of, the local government or campus.

(E) Is sized to offset all or part of the electrical load of the benefiting account. For these purposes, premises that are leased by a local government or campus are under the control of the local government or campus.

(5) "Generating account" means the time-of-use electric service account of the local government or campus where the eligible renewable generating facility is located.

(6) "Local government" means a city, county, whether general law or chartered, city and county, special district, school district, political subdivision, or other local public agency, but shall not mean a joint powers authority, the state or any agency or department of the state, other than an individual campus of the University of California or the California State University.

(b) Subject to the limitation in subdivision (h), a local government may elect to receive electric service pursuant to this section, if all of the following conditions are met:

(1) The local government designates one or more benefiting accounts to receive a bill credit.

(2) A benefiting account receives service under a time-of-use rate schedule.

(3) The benefiting account is the responsibility of, and serves property that is owned, operated, or on property under the control of the same local government that owns, operates, or controls the eligible renewable generating facility.

(4) The electrical output of the eligible renewable generating facility is metered for time of use to allow calculation of the bill credit based upon when the electricity is exported to the grid.

(5) All costs associated with the metering requirements of paragraphs (2) and (4) are the responsibility of the local government.

(6) All costs associated with interconnection are the responsibility of the local government. For purposes of this paragraph, "interconnection" has the same meaning as defined in Section 2803, except that it applies to the interconnection of an eligible renewable generating facility rather than the energy source of a private energy producer.

(7) The local government does not sell electricity exported to the electrical grid to a third party.

(8) All electricity exported to the grid by the local government that is generated by the eligible renewable generating facility becomes the property of the electrical corporation to which the facility is interconnected, but shall not be counted toward the electrical corporation's total retail sales for purposes of Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1. Ownership of the renewable energy credits, as defined in Section 399.12, shall be the same as the ownership of the renewable energy credits associated with electricity that is net metered pursuant to Section 2827.

(c) (1) A benefiting account shall be billed for all electricity usage, and for each bill component, at the rate schedule applicable to the benefiting account, including any cost-responsibility surcharge or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(2) The bill shall then subtract the bill credit applicable to the benefiting account. The generation component credited to the benefiting account ~~may~~ *shall* not include the cost-responsibility surcharge or other cost recovery mechanism, as determined by the commission, to reimburse the Department of Water Resources for purchases of electricity, pursuant to Division 27 (commencing with Section 80000) of the Water Code. The electrical corporation shall ensure that the local government receives the full bill credit.

(3) If, during the billing cycle, the generation component of the electricity usage charges exceeds the bill credit, the benefiting account shall be billed for the difference.

(4) If, during the billing cycle, the bill credit applied pursuant to paragraph (2) exceeds the generation component of the electricity usage charges, the difference shall be carried forward as a financial credit to the next billing cycle.

(5) After the electricity usage charge pursuant to paragraph (1) and the credit pursuant to paragraph (2) are determined for the last billing cycle of a 12-month period, any remaining credit resulting from the application of this section shall be reset to zero.

(d) The commission shall ensure that the transfer of a bill credit to a benefiting account does not result in a shifting of costs to bundled service subscribers. The costs associated with the transfer of a bill credit shall include all billing-related expenses.

(e) Not more frequently than once per year, and upon providing the electrical corporation with a minimum of 60 days' notice, the local government may elect to change a benefiting account. Any credit resulting from the application of this section earned prior to the change in a benefiting account that has not been used as of the date of the change in the benefiting account, shall be applied, and may only be applied, to a benefiting account as changed.

(f) A local government shall provide the electrical corporation to which the eligible renewable generating facility will be interconnected with not less than 60 days' notice prior to the eligible renewable generating facility becoming operational. The electrical corporation shall file an advice letter with the commission ~~,~~ that complies with this section ~~,~~ not later than 30 days after receipt of the notice, proposing a rate tariff for a benefiting account. The commission, within 30 days of the date of filing, shall approve the proposed tariff ~~,~~ or specify conforming changes to be made by the electrical corporation to be filed in a new advice letter.

(g) The local government may terminate its election pursuant to subdivision (b), upon providing the electrical corporation with a minimum of 60 days' notice. Should the local government sell its interest in the eligible renewable generating facility, or sell the electricity generated by the eligible renewable generating facility, in a manner other than required by this section, upon the date of either event, and the earliest date if both events occur, no further bill credit pursuant to paragraph (3) of subdivision (b) may be earned. Only credit earned prior to that date shall be made to a benefiting account.

(h) An electrical corporation is not obligated to provide a bill credit to a benefiting account that is not designated by a local government prior to the point in time that the combined statewide cumulative rated generating capacity of all eligible renewable generating facilities within the service territories of the state's three largest electrical corporations reaches 250 megawatts. Only those eligible renewable generating facilities that are providing bill credits to benefiting accounts pursuant to this section shall count toward reaching this 250-megawatt limitation. Each electrical corporation shall only be required to offer service or contracts under this section until that electrical corporation reaches its proportionate share of the 250-megawatt limitation based on the ratio of its peak demand to the total statewide peak demand of all electrical corporations.